

Mitsubishi HC Capital UK PLC

Type of Engagement: Annual Review

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Introduction

In 2021, Mitsubishi HC Capital UK PLC (MHCUK) issued a three-year green bond placed with a single investor in March 2021 and a syndicated public green bond issued in October 2021 (collectively the “2021 Green Instruments”), all aimed at financing clean transportation and renewable energy projects. In January 2023, MHCUK engaged Sustainalytics to review the projects funded with proceeds from the 2021 Green Instruments and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the MHCUK Green Financing Framework dated March 2021 and updated on October 2021¹ (the “Framework”). Sustainalytics provided a second-party opinion² on the Framework in March 2021, followed by a second-party opinion³ provided in October 2021.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded between April 2021 and March 2022 based on whether the projects and assets:

1. Met the use of proceeds and eligibility criteria outlined in the MHCUK Green Financing Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category outlined in the MHCUK Green Financing Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Clean Transportation	Battery electric vehicles (provision of leases), hybrid vehicles (<50 gCO ₂ /km)	<ul style="list-style-type: none"> • Amount financed in eligible categories • CO₂ emissions saved
Renewable Energy	Hybrid solar farms ⁴ and electric vehicle charging points, in particular Gridserve Electric Forecourts ⁵	<ul style="list-style-type: none"> • Amount financed in eligible categories • Solar energy supplied • CO₂ emissions saved

¹ MHCUK, “HCUK Green Financing Framework – October 2021”, at: <https://www.mitsubishihccapital.co.uk/media/pvkl4srm/green-financing-framework-2021.pdf>

² Sustainalytics, “Hitachi Capital (UK) Green Financing Framework Second-Party Opinion”, (2021), at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/hitachi-capital-uk-plc/hitachi-capital-uk-green-financing-framework-second-party-opinion/hitachi-capital-uk-green-financing-framework-second-party-opinion-pdf>

³ Sustainalytics, “HCUK Green Financing Framework Second-Party Opinion”, (2021), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/hitachi-capital-uk-plc/hcuk-green-financing-framework-second-party-opinion-\(2021\)/hcuk-green-financing-framework-second-party-opinion-\(2021\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/hitachi-capital-uk-plc/hcuk-green-financing-framework-second-party-opinion-(2021)/hcuk-green-financing-framework-second-party-opinion-(2021))

⁴ The hybrid solar farm is part of a photovoltaic solar power generation complex that has been developed by Gridserve, a third-party sustainable energy solutions company. This complex also includes power storage capabilities and electric vehicle charging points.

⁵ Gridserve, “GRIDSERVE Electric Forecourts”, at: <https://www.gridserve.com/electric-vehicle-charging/electric-forecourt/>

Issuer's Responsibility

MHCUK is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from MHCUK's Green bond. The work undertaken as part of this engagement included collection of documentation from MHCUK and review of said documentation to assess conformance with the MHCUK Green Financing Framework.

Sustainalytics relied on the information and the facts presented by MHCUK. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by MHCUK.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the MHCUK Green Financing Framework. MHCUK has disclosed to Sustainalytics that the proceeds from the 2021 Green Instruments were fully allocated as at March 31, 2022.

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2021 Green Instruments between April 2021 and March 2022 to determine if projects aligned with the use of proceeds criteria outlined in the MHCUK Green Financing Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2021 Green Instruments between April 2021 and March 2022 to determine if impact of projects was reported in line with the KPIs outlined in the MHCUK Green Financing Framework. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendix

Appendix 1: Allocation and Reported Impact⁷

In 2021, MHCUK's green bonds raised a total amount of GBP 296.2 million (USD 360.5 million), as follows: i) the March 2021 green bond raised GBP 29.2 million (USD 35.5 million) and ii) the October 2021 green bond raised GBP 267 million (USD 324.9 million). All of the proceeds (100%) were allocated towards financing new eligible green projects as at March 31, 2022.

Use of Proceeds Category	Description of Eligible Projects	Impact reported	
		CO ₂ e saved (tonnes)	Solar energy supplied (MWh)
Clean Transportation	Battery electric vehicles	56,250	NA
Renewable Energy	Hybrid solar farm: Gridserve's Braintree Electric Forecourt ⁸	30	140
	Hybrid solar farm: Gridserve's Clayhill solar farm ⁹	2,037	9,592
	Electric vehicle charging points, in particular Gridserve Electric Forecourts	6,501	N.A.
Total		64,818	9,732

⁷ Reported impact data is as of 31 March 2022.

⁸ Gridserve, "Braintree Electric Forecourt", at: <https://www.gridserve.com/electric-vehicle-charging/electric-forecourt/braintree/>

⁹ Gridserve, "Clayhill Hybrid Solar Farm", at: <https://www.gridserve.com/energy/power-everything/>

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